

THE LEONARD LETTER

May 9, 2005

QUOTE OF THE WEEK

"Prosperity is only an instrument to be used, not a deity to be worshipped." --- Calvin Coolidge (1872 - 1933), speech, June 11, 1928

UNDER THE DOME

*****Leading By Example*****

Remember when Californians were outraged about a young girl being kidnapped and murdered by a felon who had been let out of prison? A ballot measure to keep serious and violent offenders in prison became a popular expression of that outrage. Even with that anger, the measure may have languished without someone beating the drums. The drummer was then-Assemblyman Bill Jones who was also running for Secretary of State. Three Strikes had nothing to do with the duties of the Secretary of State, but Jones provided leadership and used the campaign trail's bully pulpit.

The illegal immigration issue has been percolating in the state for several years but it seems that nothing has been done. Another Assemblyman has decided to become the drummer on this issue: Assemblyman Ray Haynes. Haynes has stepped forward to exercise leadership with the California Border Police Initiative. This measure will create a state emergency services agency charged with enforcing federal immigration laws in our state. Assemblyman Haynes will provide vocal, principled, well-financed leadership on this vital issue.

*****Private Accounts: The Obvious Solution*****

I was shocked to see such a terrific article in the New York Times. A piece on private pension accounts by John Tierney appeared on the April 26 op-ed page. Tierney recently visited a childhood friend in Chile named Pablo and they talked about retirement. Back in 1981, Chile's public pension program was going broke and the U.S.'s Social Security system was in trouble. America responded by cutting benefits and raising taxes. Chile pioneered a pension system of private accounts. As it turned out, both countries have required employers to set aside about the same portion of income, between 12-15%. Tierney compared his and his friend's relative payments to their respective pension systems. Tierney would have contributed more because he made more, but if Tierney had put his money into Pablo's mutual fund instead of Social Security, these are the scenarios he would be eligible to enjoy:

- 1) Retire in 10 years, at age 62, with an annual pension of \$55,000. That would be more than triple the \$18,000 he would receive from Social Security at that age.
- 2) Retire at age 65 with an annual pension of \$70,000-- almost triple the \$25,000 he would get under Social Security.
- 3) Retire at age 65 with an annual pension of \$53,000 and a one-time cash payment of \$223,000.

The basic problem with our Social Security program is that it makes it very, very difficult for low income Americans to save because it sucks up 15% of their incomes. This drain only exacerbates the need for people to rely on our nationalized retirement plan. More wealthy Americans use 401(k)s and other savings programs that make it possible from them to get by without Social Security income. The Democrat Party's exploitation of blue collar and low-income people by keeping them in this vicious circle is a monumental injustice.

*****To Catch a Thief*****

I am known as an advocate for taxpayers. While everyone should pay what they owe, no one should be overpaying their taxes. If the tax auditors think that taxpayers should have paid more, then the dispute is appealed to our Board of Equalization. Issues like these are not criminal matters, and I have been critical of the tax investigators when they move such disputes into the criminal court where it is not only more expensive for the government but the taxpayer is risking their freedom as well as their money. However, that position does not extend to taxpayers who try to bribe government agents. Our BOE investigators have just compiled enough evidence to convict a taxpayer of two felony counts of tax evasion and one felony count of bribery. It is crooks like this one who make it harder on the rest of the taxpayers who are working to not overpay their taxes.

ISSUE FOCUS: EDUCATION

*****Numbers for Educators*****

Two nearly identical numbers struck me last week as carrying a message for educators. First, I read that 88% of California's parents expect their children to get a college degree or higher. Second, data released showed that in 2003 only 86.6 of what should have been high school seniors even graduated from high school. (As I have mentioned in this newsletter before, that number seems inflated to me, sad though that is to conclude.) Parents have a higher expectation for their children than the public education system is able to deliver. Educators should take advantage of these high expectations parent's have for their children and partner with them. There is no reason that the California high school graduation rate (comparing entering freshman with the number of graduates four years later) should not be right at 100%.

*****Incentive Pay Works*****

The headline above is so obvious that it should not have to be explained. However, to the teacher union leaders, such a statement is fighting words. The union defends the “principle” that the best teachers should be paid exactly the same as the worst teachers. Now, the story is that the union leaders have discouraged legislators from even talking to each other about how to get good teachers in the right classroom. It has long been known that a school campus with more challenges has a higher percentage of low seniority teachers in a system where teachers can choose their assignments on the basis of seniority. The Governor has asked the simple question: what if we paid those senior teachers more money to teach at those schools where recruiting faculty is harder?

The May revision of the budget will soon be out, and my hope is that if there is more on-going revenue than predicted in January that the Governor earmark that money not for the K-12 general fund, but for a program that will pay good teachers more if they will take up the challenge to teach in tougher schools. Let the teachers and the district negotiate on how to identify who the good teachers are and how to identify which schools are the tougher, but let state government use its clout to make incentive pay happen despite the nonsensical opposition of union officials.

FOLLOWING UP

*****More on Toll Roads*****

My article about toll road options several weeks ago provoked many questions from readers. Most questions were about the status of the toll roads in Orange County. Reason Foundation’s Robert Poole offers good information on the situation. The San Joaquin Hills Toll Road (SR73) has toll revenue at only 77% of forecasts, but the other toll roads are doing well. The Foothill (SR 241) and Eastern (SR241, 262 and 133) Toll Roads are actually exceeding forecasts, both in the number of cars driving them and the amount of tolls collected.

Poole writes that the 91 Express Lanes were a successful pilot project for toll roads in California. He writes, “They offered meaningful time savings to tens of thousands of daily commuters... have always received high customer satisfaction ratings. From a financial standpoint, they project was also a success. By its third year of operation, it was generating enough revenue not only to pay the debt services on its bonds but also pay for operations and maintenance, highway patrol services (contracted from the CHP), and even property taxes!” (To read more about the 91 Express Lanes history, see <http://www.rppi.org/pb39.pdf>)

Poole concludes, “[T]he fact that two of the three TCA toll roads are exceeding their projections is actually a very good track record for start-up, stand-alone toll roads.” And it is important to remember that even if revenues for the 73 do not pick up there are options to bond default, but no matter what “taxpayers will not be at risk.”

MISCELLANY

A Good Read

“A Random Walk Down Wall Street” by Burton G. Malkiel is advertised as a staple on any business shelf, and I encourage you to make it a staple of your personal financial education. Professor Malkiel teaches at Princeton, but his book is accessible even to all. He outlines the basics of investing, not just in stocks and bonds, but also in real estate or even collectibles. This book will help you organize your own financial future and raise issues that may not even be on your radar screen.

BOE AND LEGISLATIVE DATES

May 12, 2005 --- Tax seminar for Nonprofit and Tax Exempt Organizations in Folsom.

May 13, 2005 --- Governor releases May revision of the State’s Budget

May 20, 2005 --- Last day for policy committees to meet prior to June 6.

May 24-25, 2005 --- BoE meets in Sacramento.

May 30, 2005 --- Memorial Day.

June 2, 2005 --- Tax seminar for Nonprofit and Tax Exempt Organizations in Santa Clarita.

June 15, 2005 --- Budget bill must be passed by midnight.

June 16, 2005 --- Tax seminar for Nonprofit and Tax Exempt Organizations in Bakersfield.

NOTABLE DATES/ HISTORY

May 9, 1797 --- The first Navy ship, the "United States," was launched.

May 10, 1775 --- The Green Mountain Boys captured Fort Ticonderoga NY in the American Revolution.

May 11, 1850 --- Work started on the first brick building in San Francisco

May 12, 1901 --- President McKinley visited San Francisco.

May 13, 1989 --- Approximately 2,000 students began hunger strike in Tiananmen Square, China.

May 14, 1607 --- The first permanent English settlement was established in the New World at Jamestown, VA.

May 14, 1804 --- Lewis & Clark set out from St Louis for the Pacific Coast.

May 15, 1930 --- Ellen Church became the first airline stewardess (United Airlines from San Francisco to Cheyenne).

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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